Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

In the Matter of	)	
Petition of WorldCom, Inc. Pursuant	)	
to Section 252(e)(5) of the	)	
Communications Act for Expedited	)	
Preemption of the Jurisdiction of the	)	CC Docket No. 00-218
Virginia State Corporation Commission	)	
Regarding Interconnection Disputes	)	
with Verizon-Virginia, Inc., and for	)	
Expedited Arbitration	)	

REBUTTAL TESTIMONY OF DONATO GRIECO AND GARY BALL
(Issues 1-1, 1-2, 1-4, 1-5, 1-6, III-1, III-2, III-3, III-5, IV-1, IV-2)

August 17, 2001

TABLE OF CONTENTS

INTRODUCTION

Q. What is the purpose of this rebuttal testimony?

A. The purpose of this testimony is to respond to the testimony filed by Verizon on July 31, 2001 with respect to Issues I-1, I-2, I-4, I-5, I-6, III-1, III-2, III-3, III-5, IV-1 and IV-2.

Q. Who are the members of the Panel sponsoring this testimony?

A. The members of the Panel are Donato Grieco and Gary Ball.

Q. Are you the same Donato Grieco and Gary Ball who filed Direct Testimony in this proceeding on July 31, 2001?

A. Yes we are.

Issue I-1

Does MCIW, as the requesting carrier, have the right pursuant to the Act, the FCC's Local Competition Order, and other FCC regulations, to designate the network point (or points) of interconnection at any technically feasible point, including a single point of interconnection per LATA?

and

Issue I-2

Can Verizon require WorldCom to receive Verizon traffic at a Verizon end office and then require WorldCom to transport that traffic back to the WorldCom network free of charge?

Q. How would you characterize Verizon's testimony relative to Points of Interconnection?

A. Although Verizon attempts to portray its "VGRIPs" proposal as an attempt to ensure that CLECs are responsible for "inefficient" interconnection choices, its testimony makes clear that, in fact, Verizon is attempting unlawfully to shift the costs of interconnection to competitive carriers. The fundamental flaws in its proposal, which it does not meaningfully dispute, are:

1. By making CLECs financially responsible for transporting traffic to the "interconnection point" designated by Verizon, the VGRIPs proposal eviscerates the requirement that CLECs have the right to choose a single Point of Interconnection ("POI") within a LATA, and the requirement of FCC rule 703(b) prohibiting a LEC from assessing charges on another LEC for traffic that originates on the first LEC's network. Verizon's claim that under its VGRIPs proposal, CLECs are free to designate a POI wherever they want is absurd. If CLECs are required to bear financial responsibility for transmitting traffic from the CLEC-designated POI to the Verizon designated IP, the IP becomes the relevant interconnection point.

2. Verizon's proposal would thus require carriers to physically interconnect at every Verizon IP – forcing CLECs to build or purchase extensive networks that mirror Verizon's network. This would require CLECs to build a ubiquitous network that deviates from their preferred architecture

or to purchase the ubiquitous physical connections already existing in Verizon's network, which would be financially devastating.

3. Verizon's proposal is even more extreme, because without any justification whatsoever it proposes that the rates CLECs must pay for transmitting traffic from the POI to the Verizon-designated IP are inflated access rates. The result would be financially devastating to CLECs, which have a small number of customers in a given LATA.

Q. Is Verizon's VGRIPs proposal in place today?

A. Absolutely not. To the contrary, WorldCom and Verizon have a history of cooperatively implementing interconnection arrangements for exchange of local traffic. Together they have implemented both a single POI approach, in which both parties bring traffic to a collocation arrangement at a Verizon central office, as well as a dual PIO approach, in which each party provides facilities to hand off traffic at a designated point on the other party's network.

Q. Do these current arrangements fairly apportion the costs of interconnection?

A. Yes. In each case, the party that originates traffic bears the cost of transporting the traffic to the other party's designated physical point of interconnection. In the single POI approach, WorldCom provides its own facilities to the collocation on Verizon's network for traffic it originates. Verizon provides its own facilities to bring traffic to the POI and Verizon then utilizes WorldCom's facilities to transport calls from the physical point of interconnection to WorldCom's switch, and pays a transport charge per the interconnection agreement because WorldCom has built the interconnection facility. In

the dual POI approach, each party provides its own facilities to a point of interconnection that it designates on the other party's network. Ironically, Verizon has voluntarily extended its own facilities, thus bearing the cost, into WorldCom's switch locations in this instance. It is worth noting that WorldCom's mid-span fiber meet point arrangement proposal would allow the parties to share equally in the cost of the interconnection facility.

Q. How were these arrangements entered into?

A. Both the dual POI approach and the single POI approach were voluntarily agreed to pursuant to the interconnection agreements between Verizon with MFS and MCI in the 1996-1997 time frame.

Q. What language does Verizon propose to change these current requirements?

A. Verizon has proposed the following language which effectively requires WorldCom to transport Verizon originating traffic free of charge:

> The parties shall compensate each other for the transport and termination of Local Traffic ... at the rates stated in the Pricing Attachment. These rates are to be applied at the CLEC IP for traffic delivered by Verizon for termination by CLEC and at the Verizon IP for traffic delivered by CLEC for termination by Verizon. Except as expressly specified in this Agreement, no additional charges shall apply for the termination from the IP to the Customer of Local Traffic delivered to the Verizon IP by CLEC or the CLEC IP by Verizon.

This language forces WorldCom to receive Verizon traffic at a Verizon end office (the so-called "IP") and to transport that traffic all the way to the WorldCom customer for a fee which is limited to reciprocal compensation, with no additional charges allowed.

Q. How does Verizon's VGIPs proposal work?

A. The Verizon proposal requires a CLEC to establish multiple so-called 'IPs' in each Verizon local calling area. These multiple 'IPs' are the financial equivalent of multiple points of interconnection. These multiple 'IPs' are points at Verizon end offices where Verizon proposes to hand off its originating traffic, end its financial obligations, and start CLEC obligations.

The Verizon proposal either requires a CLEC to build facilities to these multiple so called 'IPs' or to pay Verizon for transport of Verizon's traffic. Regardless of whether a CLEC is forced to build facilities to a Verizon end office or is forced to pay for transport over Verizon provided facilities from that end office, the financial effect is the same: The CLEC has been deprived of its right to designate a single point of interconnection and has been forced to either build to multiple points or to pay for transport of Verizon traffic as though it had established multiple points of interconnection.

Q. Why is it wrong for WorldCom to absorb the transport costs associated with Verizon's originating traffic?

A. Verizon receives revenue from its end users because it is their local exchange carrier. WorldCom does not receive revenue from Verizon's end users. That is why the

FCC has determined that the originating carrier must pay the transport costs Verizon incurs in serving its customers.

Q. Is reciprocal compensation adequate for the arrangements proposed by Verizon?

A. No. Reciprocal compensation compensates WorldCom for the cost of transporting Verizon's traffic from the point where the parties interconnect, to the called party. Reciprocal compensation does not compensate WorldCom for transporting the call from Verizon's end office to the point where the parties' networks interconnect. Verizon's proposal requires WorldCom to provide transport free of charge from the Verizon end office all the way to the point of interconnection.

Q. In its direct testimony, did the Verizon Panel address the concern which WorldCom raised in Issue I-2?

A. No it didn't. The Verizon witnesses note that under their proposal Verizon could designate a WorldCom collocation in a Verizon end office as the WorldCom 'IP' for Verizon's originating traffic. They go on to characterize this as an efficient use of existing facilities. But the issue WorldCom raised was Verizon's illegal proposal to shift to WorldCom the cost of transporting Verizon's originating traffic. As to that, Verizon's witnesses are silent.

Q. Verizon asserts that it will be required to build new facilities between its end office and the point of interconnection if its VGRIPS proposal is not accepted. Do you agree?

A. No. As stated above, Verizon and WorldCom have already implemented interconnection arrangements in which Verizon is already providing facilities to designated points of interconnection. As a large number of the already established points of interconnection are at Verizon central offices, it makes no sense that Verizon wouldn't have facilities in those locations.

Q. How would Verizon's new proposal to separate the financial obligations from the physical interconnection change the current arrangements?

A. Verizon would no longer have any incentive to cooperatively build out facilities and interconnect with competitors. By forcing competitors to subsidize Verizon's originating traffic needs, Verizon will force CLECs to bear more than their fair share of network costs. Verizon's proposal requires CLECs to either build to each Verizon local calling area or lease Verizon facilities at non cost-based rates in each local calling area. Either way, Verizon will end up in a position of not having to pay for transport either for calls it receives from CLECs or calls it originates. This is an additional advantage that a monopoly like Verizon clearly does not need at this stage in the telecom industry.

Q. Has the FCC ruled on whether LECs may assess charges for traffic that originates on their network?

A. Yes, the FCC squarely prohibited the precise compensation scheme proposed by Verizon here. In Rule 51.703(b), the FCC held that "a LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on the LEC's network." VGRIPs proposes to charge CLECs for carrying Verizon originating traffic from the caller's end office to the point of interconnection between the Verizon and CLEC networks. That is a flagrant violation of this regulation.

Q. Have any other regulators reviewed Verizon's request to avoid its financial obligations relative to interconnection?

A. Yes. The New York Public Service Commission recently issued an order in the arbitration between Verizon and AT&T (Case no 01-C-0095), in which the NY PSC states:

> Our orders establishing the framework for competition, recognize that CLEC networks would, in all likelihood, not mirror the incumbent's. This has proven to be correct, as most CLEC network designs use a single central office switch and long loops to serve a region, rather than the more traditional design of many switches and short loops.[1]

The PSC goes on to conclude:

[1] Order, Page 27

We reject Verizon's proposal and shall keep in place the existing framework that makes each party responsible for the costs associated with the traffic that their respective customers originate until it reaches the point of interconnection

Q. Does Verizon's VGRIPs proposal also deprive a CLEC of its right to choose a single technically feasible point of interconnection?

A. Yes it does. By creating an entity it dubs the IP (interconnection point), rather than the POI (point of interconnection), Verizon imposes on CLECs the financial equivalent of multiple points of interconnection. Changing the name from POI to IP, as Verizon has done, does not change the fundamental nature of what Verizon proposes. The Commission has noted that a CLEC has the right to designate a single point of interconnection so as to lower its costs of, among other things, transport and termination of traffic. Local Competition Order, ¶ 172. The VGRIPs proposal substantially increases a CLECs costs, especially the cost of transport and termination of traffic, by forcing the CLEC to provide transport and termination of Verizon originating traffic all the way from Verizon end offices to the WorldCom end user.

Q. Please continue.

A. When a CLEC exercises its right to designate a single point of interconnection at a tandem, for example, it will incur the cost of transport and termination of Verizon traffic from the tandem, over the interconnection, and through the CLEC network. Under VGRIPs, however, the CLEC will incur the cost of transport and termination of Verizon traffic from the Verizon end office, to the tandem, over the interconnection, and through the CLEC network. VGRIPs increases a CLECs cost of transport and termination by

forcing the CLEC to bear additional transport costs from the Verizon end office. In doing so, VGRIPs deprives a CLEC of its right to designate a single point of interconnection so as to lower its costs of transport and termination.

Q. The Verizon Panel characterizes CLEC proposals to establish a single point of interconnection as "an impermissible attempt to have Verizon VA subsidize their attempts to enter the local telephone market." Do you agree with this characterization?

A. No. As stated above, Verizon's VGRIPs proposal to the contrary is an attempt to have CLECs subsidize Verizon's operations. As noted above, VGRIPs unlawfully requires CLECs to bear the cost of transporting Verizon's originating traffic between Verizon end offices and Verizon tandems.

Q. Verizon claims that its proposal fairly allocates between the carriers the cost of delivering originating traffic. Do you agree?

A. No. Verizon's proposal requires CLECs to bear the cost of transporting Verizon's originating traffic from the end user's end office all of the way to the point at which the two carriers' networks interconnect. Yet when a CLEC end user originates traffic, the CLEC bears the full cost of delivering that traffic from the end user to the CLEC switch to the point of interconnection and into the Verizon network. Verizon's proposal is inequitable because it requires CLECs to bear the full cost of delivering their traffic to Verizon but it relieves Verizon of the cost of having to deliver its traffic to the CLECs.

Q. Verizon complains that the POI designated by a CLEC may not lie within the local calling area established by Verizon for the Verizon end-user who originated the call. Please comment.

A. Verizon's complaint, and the solution it proposes, establishing a CLEC 'IP' in each Verizon local calling area, is nothing more than an attempt to dictate CLEC network architecture. Specifically, Verizon is attempting to force CLECs to duplicate Verizon's embedded network architecture by requiring them to develop a network that reaches all of Verizon's "IPs." Nothing in the Act requires CLECs to do this and indeed the Act encourages CLECs to innovate and create new network architectures.

Q. Is it unfair to Verizon, or inefficient, if a CLEC designates a single POI outside of Verizon's chosen local calling area?

A. No it isn't. The CLEC and Verizon will both incur costs of transporting their own customers calls to the point of interconnection. The CLEC will incur that cost via its modern network design of long transport routes and few switches. Verizon will incur that cost via its different network architecture of many switches and shorter transport routes. There is nothing unfair to Verizon or inefficient about this. Indeed, establishing a single point of interconnection, rather than multiple 'IP's' within the Verizon local calling area, is an efficient design which takes advantage of modern transport efficiencies. Verizon's proposal to establish multiple 'IPs' is an attempt to impose on new entrants an older, multi-switch, and less efficient network architecture.

Q. Verizon asserts that CLECs do not incur transport costs to terminate Verizon calls when they establish a single point of interconnection per LATA. Do you agree?

A. No I don't. First of all, what a CLEC does with a call after Verizon hands it off is not really relevant to the notion of points of interconnection. Verizon's claim is really that they feel that symmetrical compensation rates should not be applicable if a CLEC is not serving a comparable geographic area. But this factor is appropriately accounted for in other FCC rules, and should have nothing to do with establishing fair and equitable physical interconnection arrangements. Under the FCC's rules, CLECs will not qualify for higher tandem level reciprocal compensation rates if they are not serving a comparable geographic area to the ILEC's tandem. Indeed, the parties have a dispute over the implementation of this requirement which is discussed later in this affidavit.

Q. What about ISP traffic and so-called virtual FX traffic?

A. These too are separate issues addressed later in this affidavit. With respect to ISP traffic, the FCC recently set very low and declining rates for the transport and termination of ISP traffic, as well as bill and keep above certain traffic levels. Even if Verizon has slightly higher transport costs for ISP traffic, Verizon's interests are fully protected through the reduced reciprocal compensation rates.

Q. Do you agree with Verizon's claim that it incurs transport charges to deliver its originating calls to the POI but the CLEC incurs no transport cost to deliver the call from the CLEC switch to the CLECs customer?

A. No. Verizon makes this mistaken claim based on its assertion that CLECs serve only ISPs, and no other customers. In addition to ISPs, WorldCom serves a variety of non-ISP business customers via our local switches. These customers are located throughout the LATA. Under the hypothetical example contained in the Verizon testimony at p. 7, when a Verizon customer in Staunton makes a call to a WorldCom customer in Staunton, the call may travel some distance over the Verizon network to the point of interconnection in Roanoke, but it will also travel some distance over the WorldCom network back to the WorldCom customer in Staunton, (possibly via a connection WorldCom is leasing from Verizon). While this example introduced by Verizon is hypothetical, the point is that the CLEC will also incur transport costs from the single point of interconnection

Q. Is the example cited in Verizon's testimony where Verizon claims that it will have to transport local calls 90 miles from Staunton to Roanoke for CLECs a realistic example?

A. No it isn't. WorldCom does not provide service in the Roanoke LATA. To the best of WorldCom's information, neither does AT&T or Cox.

Q. Verizon also suggests that if a call routes over a particular distance it must be a toll call. Is that a correct assertion?

A. No. The reality is that mileage does not determine whether a call is local or toll. The geographic size of local calling is not fixed; it varies from place to place and company to company. Instead, whether a call is local or toll is determined by the calling and called telephone exchanges. If a call is local from rate center A to rate center B, it is local regardless of how long or short the mileage is.

Q. Verizon complains in its Staunton to Roanoke example that CLECs could force it to haul local calls outside the Staunton local calling area. Please comment on this.

A. First, as noted above, WorldCom's operations in Virginia do not impose this requirement on Verizon. In any event, even if this did occur, it would not be inappropriate. Verizon itself hauls local calls for itself outside of a local calling area. For example, if a Verizon end user customer subtending the Waldorf end office in Waldorf, MD placed a call to another Verizon end user customer subtending the La Plata end office in the neighboring rate center of La Plata (which is a local call under the Verizon tariff), Verizon typically will route that call between these two end offices on a Direct End Office Trunk (DEOT). By standard network design, if that DEOT is full, that call will overflow to the tandem that the Waldorf end office subtends on Verizon common transport. The tandem would then route the call to the La Plata end office for completion. The tandem that would perform this function is in Chevy Chase, MD, a toll call from both Waldorf and La Plata. Thus, although Verizon asserts that there is something

inappropriate about local traffic crossing local calling area boundaries, Verizon will haul local call outside of the local calling area and back for itself -- the very matter it complains of when it comes to co-carrier calls.

Q. Verizon seeks to justify VGRIPs by referring to Commission language regarding 'expensive interconnection'. Please comment on this.

A. There is nothing expensive about interconnection via a single point of interconnection. As the Massachusetts DTE explained, the FCC's discussion of "expensive interconnection" has nothing to do with transport costs at all, "because the FCC there was referring to interconnection costs -- not transport costs." Petition of Media One, Inc. and New England Telephone and Telegraph, for Arbitration, D.T.E 99-42/43, 99-52, p. 25 (Mass. DTE August 25, 1999). Indeed, the Massachusetts DTE got it exactly right when it rejected Verizon's VGRIPs proposal:

> Regarding Verizon's argument that if MediaOne and Greater Media do not establish "geographically relevant" IPs, they would be obligated to pay Verizon's transport costs, Verizon has pointed to nothing in the Act or FCC rules requiring CLECs to pay the transport costs that Verizon will incur to haul its traffic between Verizon's IP and the meet point. The FCC envisioned both carriers paying their share of the transport costs to haul traffic to the meet point under the interconnection rules.

Q. Does Verizon's proposal adversely affect WorldCom's ability to compete?

A. It does. Verizon's proposal forces WorldCom to operate facilities when it may not be economic to do so. It requires WorldCom to operate facilities throughout an area

even if WorldCom's customer base is small. If WorldCom does not build facilities as Verizon directs, then Verizon's VGRIPs proposal forces WorldCom to absorb Verizon's transport costs by leasing Verizon access circuits. Either way, the financial effect is the same.

Q. What should the Commission do?

A. The Commission should reject Verizon's proposal which requires WorldCom to transport Verizon's originating traffic free of charge. The Commission should apply its existing rules and regulations which establish that:

*A LEC is financially responsible to pay the cost of facilities used to deliver traffic originated by that carrier to the network of its co-carrier (TSR Wireless).

*A LEC cannot assess charges on another LEC for traffic that originates on the LEC's network (47 CFR 51.703(b)).

*A CLEC can designate a single point of interconnection per LATA, and when it does so, an ILEC can not penalize it by reducing reciprocal compensation payments (Kansas/Okla. Section 271 order).

Issue I-4

Should the ICA contain provisions specifying that MCIm may choose to establishtrunking to any given End Office when there is sufficient traffic to route calls directly to such End Office and that the charge for such trunks, if they are not shared, shall be the transport charges for dedicated transport, and that for shared trunks the charges will be shared by both Parties in proportion to their respective use of the shared trunk facility?

Q. Please discuss the testimony of the Verizon Panel regarding the establishment of direct end office trunks.

A. The Verizon Panel proposes that end office trunks should be established when the traffic to a particular end office exceeds a DS-1, or 200,000 minutes of use for a single month, whichever comes first.

Q. What is WorldCom's position on this proposal?

A. WorldCom has every incentive to use end office trunks when it is efficient to do so, and it in fact uses end office trunking for the most part in its network. Specifically, WorldCom inerconnects at Verizon's end offices in Virginia with 7944 trunks, while it interconnects at tandems with only 1,488 trunks. While there is no need for contract language requiring WorldCom to do what it has every incentive to do, WorldCom is willing to accommodate Verizon's concerns and to establish end office trunks when traffic to a particular end office exceeds 200,000 minutes of use per month. WorldCom has proposed contract language to Verizon to memorialize the end office trunking terms which are set forth in WorldCom's July 31 testimony.

Q. Why then isn't this issue resolved?

A. During negotiations, Verizon proposed that end office trunking must be established whenever an arbitrary limit of 240 trunks between a WorldCom switch and a Verizon tandem is reached. Verizon did not mention this requirement in its testimony addressing Issue I-4. If Verizon has abandoned this proposal, Issue I-4 can be resolved based upon the 200,000 minutes of use per month standard described above. If Verizon insists on adding the 240 trunk limitation, WorldCom is opposed for all of the reasons set

forth at pages 34-37 of WorldCom's July 31 testimony. Those include the fact that the limitation is arbitrary; the limitation will require inefficient direct end office trunking for very small volumes of traffic; the limitation is discriminatory; and the limitation could lead to call blockage in a wide variety of situations.

Q. Verizon asserts that end office trunking is required due to a tandem exhaust situation. Please comment on this.

A. WorldCom's agreement to establish end office trunks pursuant to the 200,000 minutes of use per month criterion will address the tandem exhaust situation. Moreover, although Verizon has identified three tandems in the State which face near term exhaust, it also indicated that it is deploying new tandem switches to address the situation. Under the circumstances, there is no justification for the limitation on tandem trunks proposed by Verizon.

Issue I-5

Should the agreement implement the Commission's recent ISP Intercarrier Compensation Order?

Q. What issues regarding implementation of the ISP Remand Order should be addressed in the interconnection agreement between MCIm and Verizon?

A. There are several issues regarding implementation of the ISP Remand Order that should be addressed in the interconnection agreement between MCIm and Verizon.

First, the Commission made clear in the ISP Remand Order that its new inter-carrier compensation rates for ISP-bound traffic apply "only if an incumbent LEC offers

to exchange all traffic subject to section 251(b)(5) at the same rate" as the new inter-carrier compensation rate for ISP-bound traffic. ISP Remand Order ¶ 89. Thus, the interconnection agreement should establish that, as a prerequisite to invoking the new inter-carrier compensation rates, Verizon must offer to exchange all traffic subject to reciprocal compensation at the same rate.

Second, the ISP Remand Order establishes a presumption that traffic "that exceeds a 3:1 ratio of terminating to originating traffic is ISP-bound traffic that is subject to the compensation regime set forth in this Order." Id. ¶ 79. Thus, the interconnection agreement should contain a provision regarding how to calculate the 3:1 ratio of terminating to originating traffic.

Third, the ISP Remand Order establishes rate caps and growth caps for inter-carrier compensation for ISP-bound traffic. ISP Remand Order ¶¶ 78, 86. The interconnection agreement should contain a provision implementing these rate and growth caps.

Fourth, the ISP Remand Order has been appealed to the D.C. Circuit, and oral argument has been set in that appeal for February 12, 2002. Thus, the interconnection agreement should contain a provision reserving the parties' rights in the event the D.C. Circuit reverses or vacates some or all of the ISP Remand Order.

Q. How has MCIm proposed to address these issues regarding implementation of the ISP Remand Order in its interconnection agreement with Verizon?

A. To address these implementation issues, MCIm has proposed that a new section x be added to the agreement. This new section x provides at subsections x.1 and x.2 that it is intended to implement the ISP Remand Order.

Section x implements the ISP Remand Order by: (1) setting out at subsection x.3 the prerequisites Verizon must meet to invoke the new inter-carrier compensation regime; (2) establishing as subsection x.4 a mechanism for calculating the 3:1 ratio of originating to terminating traffic established in the ISP Remand Order; (3) codifying at subsection x.5 the rate caps established in the ISP Remand Order; and (4) providing at subsection x.6 a reservation of rights permitting either party to void section x in the event the ISP Remand Order is reversed, vacated, or remanded in whole or in part.

Q. What is Verizon's response to MCIm's proposal?

A. Verizon has proposed contract language to both MCIm and AT&T that it claims addresses the implementation issues raised by the ISP Remand Order.

Verizon's proposal contains three main features. First, it establishes a complicated and inaccurate mechanism for estimating inter-carrier compensation based on Calling Party Number (CPN) information. Second, it imposes a requirement that MCIm and AT&T establish a point of interconnection (POI) in every Verizon Rate Center Area in which MCIm and AT&T assign numbers to their customers. Third, it redefines the traffic subject to reciprocal compensation. Verizon's proposal does not appropriately address the implementation issues raised by the ISP Remand Order.

Q. What are the problems with Verizon's proposed contract language?

A. Verizon's proposed language is defective in two fundamental respects. First, it fails to address several of the main implementation issues arising from the ISP Remand Order. Second, it seeks to impose requirements on MCIm and AT&T under the guise of

implementing the ISP Remand Order that are neither necessary nor appropriate to implement that Order.

Q. How does Verizon's proposal fail to address the implementation issues arising from the ISP Remand Order?

A. Verizon's proposal fails to include any provision expressly requiring, as a prerequisite to invoking the new inter-carrier compensation rates for ISP-bound traffic, that Verizon offer to exchange all traffic subject to reciprocal compensation at the new rate. Such a provision is necessary in light of the Commission's mandate in the ISP Remand Order that an incumbent must exchange all traffic at the new rate in order for the new rates for ISP-bound traffic to apply.

Verizon's proposal also fails to include any provision expressly implementing the rate and growth caps established in the ISP Remand Order, or any provision reserving the parties' rights in the event the ISP Remand Order is reversed or vacated.

Q. What requirements does Verizon's proposal seek to impose that are neither necessary nor appropriate to implement the ISP Remand Order?

A. First, one of the principal components of Verizon's proposal is the establishment of a complicated mechanism for estimating inter-carrier compensation based on CPN information. (See Verizon's proposed § 1) Verizon's proposal appears to be aimed at using CPN to identify the "appropriate" rate to be paid for every call between the parties based on the identity of the individual calls.

Verizon apparently concedes that no party currently has the capability to identify individual calls on an automated basis in a way that would make identifying the "appropriate" rate for individual calls feasible. Thus, Verizon's proposal would only apply "[a]t such time as a receiving Party has the capability, on an automated basis, to use such CPN to classify traffic." (Id. § 1.2)

In the interim, Verizon's proposal would require parties to estimate how traffic should be classified based on a complicated new formula aimed at calculating "traffic types." Verizon's proposal would require MCIm and AT&T to supply these "traffic type" estimates every quarter. Verizon's proposal would also give each party the right to audit the other party's traffic twice per year.

Verizon's complicated proposal is neither necessary nor appropriate to implement the ISP Remand Order. As I have noted, the ISP Remand Order establishes a presumption that traffic exceeding a 3:1 ratio of terminating to originating traffic is ISP-bound traffic. Thus, MCIm has proposed that the parties identify ISP-bound traffic for purposes of implementing the Order by utilizing their billing records to calculate the ratio of originating to terminating minutes of use (MOU). MCIm's proposal is far more efficient and less cumbersome than Verizon's complicated new scheme. MCIm's proposal, unlike Verizon's, is consistent with the Commission's desire to "limit disputes and avoid costly efforts to identify this traffic." ISP Remand Order ¶ 79.

Second, Verizon's proposal would require MCIm and AT&T to establish POIs in "each Verizon Rate Center Area where [MCIm or AT&T] chooses to assign telephone numbers to its Customers." (Verizon's proposal § 2.1.1.1.) Verizon's proposal also would allow Verizon to request that, when MCIm and AT&T establish any collocation

site at any Verizon end office, MCIm and AT&T establish that collocation site as a POI for traffic originated by Verizon's customers served by that end office. (Id. § 2.1.1.2.)

Verizon's proposal to require MCIm and AT&T to establish POIs in each of Verizon's rate center areas is an unnecessary and inappropriate attempt to use implementation of the ISP Remand Order to advance Verizon's position regarding multiple POIs. That is a separate issue in this proceeding. As demonstrated previously, MCIm and AT&T are not required to establish multiple points of interconnection in each LATA, as Verizon's proposal would have them do.

Third, Verizon's proposal attempts to redefine the traffic that is subject to reciprocal compensation, and specifically exempts several categories of traffic from reciprocal compensation obligations. (Verizon's proposal §§ 2.3, 3.13.) The Commission amended its regulations in the ISP Remand Order to define the traffic that is and is not subject to reciprocal compensation under section 251(b)(5). Thus, Verizon's proposed redefinition in the Agreement is neither necessary nor appropriate to implement the ISP Remand Order.

Issue I-6

Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers (Attachment I, Section 4.2.1.2)

Q. What is Verizon's position with regard to determining the jurisdiction of calls?

A. Verizon proposes that the traditional method of determining the jurisdiction of calls by comparing the NPA-NXXs of the calling and called parties be replaced with an